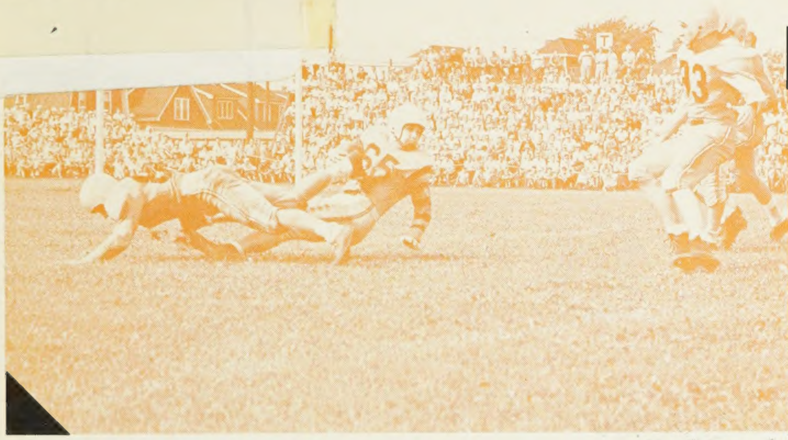
PANORAMA

ANNUAL REPORT ISSUE



TIGER-CATS AGAINST THE ARGOS
"YEAR UNKNOWN"

THE CHAMBER'S 125th
"BOARD OF DIRECTORS"

"THE HAMILTON SKYLINE IN 1927"

Official Publication of The Hamilton and District Chamber of Commerce

PANORAMA

published by
THE HAMILTON AND DISTRICT CHAMBER OF COMMERCE
100 King St. West, Suite 830
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REGINALD J. WHYNOTT
Executive Director

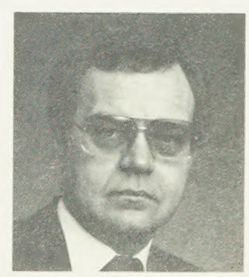
JAMES S. McDOWELL
Editor

PANORAMA

FOR THE HAMILTON-WENTWORTH BUSINESS AND PROFESSIONAL COMMUNITY

VOLUME 9, NUMBER 2

Contents



Regular Departments

CANADA'S

TROUBLED ECONOMY

A. ROY MEGARRY
PUBLISHER

The Globe and Mail

CANADA'S NATIONAL NEWSPAPER

Canada is currently suffering from its worst economic crisis since the 1930's.

The value of our dollar hovers at record lows. Unemployment in December — at 12.8 percent — was at its highest since the depression. Bankruptcies are up dramatically. Profits are down — **dramatically**. The inflation rate, which was 4.9 percent in the United States last October, is running at 9.3 percent in Canada.

In the last quarter of 1980, interest payments amounted to 25 percent of corporate pre-tax cash flow. But at the end of 1981 interest payments amounted to 68 percent of pre-tax cash flow — a clear signal that parts of our corporate sector are teetering on the edge of a collapse.

Federal borrowings by the beginning of this year totalled 163.4 billion dollars. Servicing the national debt consumes 22 percent of the federal budget. Those figures tell us what future generations will have to pay for this generation's waste and mismanagement.

The very industries that have been the mainstay of our prosperity are beleaguered and we find ourselves using the word "bail-out" where we once said "invest".

While it is true that Canada is suffering, as other countries are, from the world recession, Canada is suffering more than most other developed countries. And anyone who thinks that these economic difficulties are just another blip on a chart of economic cycles, is out of touch with reality.

Wrenching economic and social changes have historically marked the end of one economic era and the beginning of another. The Great Depression and the war, for example, marked the end of the coal/steel/railway era. Some countries, such as the United Kingdom, failed to make an appropriate transition and their economic performance deteriorated rapidly. Other countries, such as Japan, made the appropriate transition and prospered.

John Naisbitt, Publisher of The Trend Report of Washington, predicts that "all of the developed countries are on their way to losing the automobile industry, steel industry, the railroad equipment industry, machine industry, textiles industry, the appliance industry, the apparel industry and so on."

He said "Third World countries will take up these old tasks as we move on to new ones."

Everyone in Hamilton is already aware of the current depressed condition of the steel industry — partly because of the recession. While the Canadian steel industry is internationally competitive, Mr. Naisbitt's prediction assumed more credible proprotions with the announcement at the end of December that Bethlehem Steel was closing down **permanently** 15 percent of its plant capacity at a cost of 10,000 permanent jobs. And more plant closings of similar proportions are forecast for the United States and Europe.

The consumer electronic industry — once the source of employment for thousands of people in Canada — has been all but wiped out by high quality and good value imports. Our textile and footwear industries survive only by the tenuous thread of quotas imposed on imports by Ottawa.

"SERVICING THE NATIONAL DEBT CONSUMES 22% OF THE FEDERAL BUDGET. THESE FIGURES TELL US WHAT FUTURE GENERATIONS WILL HAVE TO PAY FOR THIS GENERATION'S WASTE AND MISMANAGEMENT."

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And don't be fooled by our 16 billion dollar trade surplus for the first eleven months of last year. We are running a surplus, not because our **exports** are strong but because our economy is so weak, our **imports** have been slashed.

Yet some businessmen are "waiting for the economic recovery" to help them improve the economic performance of their companies. Politicians from the Prime Minister down tell us that they can't do much about unemployment until the world recession abates or until the United States recovery gets going. After all, aren't periods of recession usually followed by periods of growth?

I believe people who think so are making a grave mistake. Certainly when the recession ends most of us will benefit from the economic recovery. But there is considerable evidence to indicate that what we are experiencing is the end of one of our historic economic phases and the beginning of another. Basic, fundamental, structural changes have been at work for the past ten years or so and these changes were partly obscured from our view by the economic growth of the 1970's, economic growth which was fired by huge deficits and unprecedented borrowings.

We must recognize these structural changes and begin developing specific solutions.

How do we set about solving our fundamental economic problems?

The development of a solution to our structural economic problems begins. I believe, with the development and articulation of an economic and industrial policy for Canada. And now I want to outline what I believe are some of the necessary components of such a strategy.

It is not possible to outline **all** of the necessary components of an economic strategy — nor do I consider myself qualified to do so — what I will attempt to do is outline nine ingredients of such a strategy, and in the process of doing so I hope to convince you that it can be done, it must be done, and why it should be done.

1. The Federal and Provincial governments must play a central role in undertaking the initiatives to cause an industrial strategy to emerge. And they have got to start by cleaning up their own acts.

   With the Federal borrowing at 164 billion dollars and interest payments on that debt eating up 22 percent of all the taxes that the government collects, we must first get government expenditures under control.

   We must reduce the size of the national debt, and the most effective way of doing this is to begin selling off government assets. Air Canada, Petro Canada, the Canada Development Corporation, Canadian National Railways, Telesat, Teleglobe, should all be considered for privatization — there are many more. Canadian Pacific has proven that planes and trains can take off on time without governments as owners. Now, I am not suggesting that we sell government assets because of a particular economic philosophy such as "privatization". I am suggesting it because it is the only fiscally responsible way of getting this enormous debt load off our backs — and off the backs of future generations.

   Such moves by government would be a great confidence builder throughout the economy generally. And they could create improved credibility between government and business as we proceed to put the other parts of an economic strategy in place.

   So the first important step we must take in the development of an economic and industrial policy for Canada is a commitment by all three levels of government — which now account for over 40 percent of the GNP — to get their economic houses in order.

2. The second step might come as somewhat of a surprise to a business audience.

   What happened to that old fashioned virtue — prudence — that bankers were supposed to have in abundance? We now have a situation where one bank has extended loans in excess of its total shareholders equity to a very shakey oil company. With close to 70 percent of corporate pre-tax cash flow going to service debt, the liquidity crisis in the corporate sector is of monumental proportions.

   Do the free enterprisers **really** believe that only government spending is out of control?

   So the second major initiative on an industrial strategy must involve the Canadian corporate sector getting **its** economic house in order. And if governments will not like what they perceive to be the potential consequence of selling assets to reduce the national debt, then the corporate sector won't like my cure for some of their financial ills:

   - more bankruptcies — not bail-outs
   - more bad debt write-offs for bankers who made loans without adequately assessing the risks — not government loan guarantees
   - massive infusions of equity capital into the corporate sector to correct debt/equity ratios that have reached critical proportions — even at the cost of diluting existing shareholders investments. Debt/equity ratios were way out of line even before the current economic downturn — largely because investor greed prevented proper equity re-financing. I will return later to the need for incentives for equity investment.

3. Canada is a trading nation. Exports account for one-third of our Gross National Product. According to a recent study by the Canadian Manufacturers Association, imports accounted for 21 percent of the manufactured goods sold in Canada in 1966, rising to 33 percent in 1982.

   As a GATT signatory, Canada has agreed to open its markets even further, and by 1988 almost 50 percent of the manufactured goods imported from the United States will enter Canada duty free and the average tariff will fall to 8½ percent.

   Similar tariff reductions are taking place with our other major trading partners — Japan and Western Europe.

   These tariff reductions, along with efficiencies resulting from new technology and increased productivity, present Canadians with problems and opportunities.

   They will obliterate inefficient Canadian companies on the one hand. On the other hand, they will open up foreign markets to Canadian products if we are competitive in quality, price and service.

   The fact that we are a trading nation must permeate every aspect of our thinking, our planning and our actions with regard to an industrial policy. If we expect other countries to purchase our raw materials, then we must be prepared to trade with them — and quotas and other trade barriers have a habit of boomerang-

(continued page 17)

"WE MUST REDUCE THE SIZE OF THE NATIONAL DEBT, AND THE MOST EFFECTIVE WAY OF DOING THIS IS TO BEGIN SELLING OFF GOVERNMENT ASSETS. AIR CANADA, PETRO CANADA, THE CANADIAN DEVELOPMENT CORPORATION, CANADIAN NATIONAL RAILWAYS..."

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PLANNING CALENDAR 1983

SPRING

DATE	Seminar
April 8, 9	Managing for Productivity and Cost Improvement
April 16	Strategy Implementation
April 23	Compensation Systems
April 29, 30	Productivity and Office Automation
May 7	Recruitment, Selection and Equal Employment
May 14	Japanese Corporate Practices
May 20, 21	Consulting Skills for Systems Analysts
May 28	Human Rights Legislation: Equal Pay and Equal Employment
June 3, 4	Development of First Line Supervisor
June 10, 11	Human Resource Planning, Recruitment and Selection
June 17, 18	Statistical Quality Control
June 17, 18	International Business
June 25	Quality of Working Life — A Managerial Perspective

FALL

September 10	Strategic Market Planning
September 10	Quality of Working Life — A Managerial Perspective
September 17	Human Rights Legislation: Equal Pay and Equal Employment
September 23, 24	Development of First Line Supervisor
October 1	Recruitment, Selection and Equal Employment
October 1	Legal Aspects of Business
October 7, 8	Managing for Productivity and Cost Improvement
October 15	Japanese Corporate Practices
October 15	Strategy Implementation
October 21, 22	Human Resource Planning, Recruitment and Selection
October 28, 29	Consulting Skills for Systems Analysts
November 11, 12	Time Management
November 18, 19	International Business
November 25, 26	Economic Evaluation of Health Care Programmes
November 25, 26	Economic and Business Forecasting
December 2, 3	Statistical Quality Control
December 2, 3	Productivity and Office Automation
December 10	Compensation Systems

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A listing in this classified business and professional directory is available to any Hamilton and District Chamber of Commerce member. Call Jim McDowell at 522-1151 for details.

VIEWPOINT

THE VALUE OF TRUST COMPANIES!

Nothing has gripped the attention of the public and news media in Ontario more in recent months than the controversial Trust Company issue.

As a result of the publicity which was generated, the Hamilton and District Chamber of Commerce saw an "emotional over-reaction" developing among some elected members of local government here in Hamilton-Wentworth and in other jurisdictions across the province.

Concerned that "restrictive by-laws" may be the result, the Chamber forwarded the following letter to the councils of both the Regional Municipality and the City of Hamilton.

Dear Chairman Jones &
Members of Regional Council:

The Hamilton and District Chamber of Commerce is genuinely concerned about public reaction to the recent seizure of certain trust companies by the Province of Ontario.

In our view, there has been an emotional over-reaction by some key members of local government which has resulted in an unfair "black-balling" of all trust companies.

The trust industry provides a first-rate financial service to our community. Hundreds of Hamilton area residents are employed by trust companies. Thousands more have their savings deposited in these institutions, and have mortgages borrowed through them. In addition, most trust companies are financially sound organizations and contribute significantly to the tax base of our community.

We believe local governments are moving hastily to enact by-laws restricting their business relationships with all trust companies. Even though most are reputable firms offering safe investment instruments, all trust companies are being condemned as a matter of public policy.

This blanket condemnation has two harmful long term consequences:

1. It can do permanent damage to those which are well managed and have done a good job for our community over many years.
2. It can reduce the rate of return on taxpayers investments. If local governments are officially restricted from dealing with all trust companies, it will reduce the competitive pressure that can be applied to banking institutions. If the banking sector knows that because of a certain by-law, they need not offer higher more competitive interest rates, then their lending rates may drop.

Even if a municipal treasurer decided not to deal with trust companies, this decision should never take the form of public policy simply because of this "competitive rates" phenomenon.

The Hamilton and District Chamber of Commerce opposes the introduction of municipal by-laws which would restrict the city from doing business with trust companies, and requests that you take whatever action is necessary to ensure that does not happen.

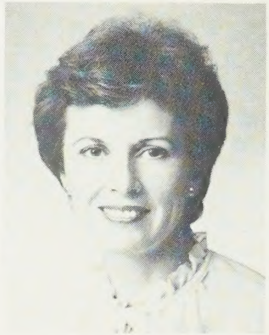
Kindest regards,

Maurice C. Carter,
President.

Your "VIEWPOINT COMMENTS" are invited. They should be addressed to Viewpoint, The Hamilton and District Chamber of Commerce, 100 King Street West, Suite 830, Hamilton, Canada L8P 1A2.

MEMBERS MAKING NEWS

New Firestone Training Centre



Judith McCulloch

The Gillespie Wedding

• FIRESTONE CANADA INC. has opened a national automotive service training centre in Hamilton. The school will teach mechanics the latest techniques in automotive servicing. Above is BILL HUTCHEON, who will run the centre. Firestone operates 170 automotive retail service stores across Canada.

• HAMILTON FOUNDATION PRESIDENT, R.D.G. (BOB) STANBURY (FIRESTONE CANADA INC.) has announced the appointment of JUDITH McCULLOCH, B.A., as Executive Director and ROBERT D. MacKENZIE, F.C.A., as Financial Manager of the community charitable trust.

• DAVE BROWN (DAVE BROWN REALTY LTD.) has been elected 1983 PRESIDENT of THE METROPOLITAN HAMILTON REAL ESTATE BOARD.

• NEIL E. WILLIAMSON, Manager of the Regional Municipality of Hamilton-Wentworth Visitor and Convention Services has been elected President of the newly re-organized MEETING INDUSTRY COUNCIL OF CANADA (formerly The Canadian Association of Convention Bureaus).

• GREG IRVINE is the new MANAGER OF MARKETING AND PROMOTIONS with the HAMILTON TIGER-CAT FOOTBALL CLUB. He may be reached at 547-6926 or 547-2418.

• HALL OF FAME WEEKEND IN HAMILTON IN '83 is September 16, 17 and 18. Argos are visiting the Tiger-Cats with the actual INDUCTION DINNER AND DANCE scheduled for the evening of the 17th (Saturday). To reserve tickets contact THE CANADIAN FOOTBALL HALL OF FAME (528-7566).

• The Chairman of the UNITED WAY FUND DRIVE this fall is A.E. (ED) TAYLOR, Vice-President, Human Resources, WESTINGHOUSE CANADA INC. We wish him well.

• Our thanks to BELL CANADA for co-ordinating our seminar on "THE PROPER USE OF THE TELEPHONE". It sold out three times.

• Former Chamber Manager B.W. (BURNIE) GILLESPIE gave your Chamber Club another first recently. He not only held his wedding reception in the Dining Room, but he held the actual ceremony (to well-known JULIETTE ALLEN) there as well. Our very best to both of them.

• GARY STALEY (STALEY SHOES, DUNDAS) is the new Chairman of the BUSINESS IMPROVEMENT AREA in the Centre of that Community.

• The DUNDAS DIVISION OF THE CHAMBER operates the Town Farmers' Market for the community. HENK VAN TUYL (CANADA TRUST) has voluntarily served for many years as its Co-Ordinator.

• With the co-operation of the HAMILTON CONVENTION CENTRE, the Chamber was pleased to host the February 17th WINTARIO DRAW in the City. Our very special thanks go to MARY MARGARET WEBSTER of the Centre's Sales staff.

• THE VALUE OF VOLUNTEERS: Without them the Chamber could never do what it does. Our thanks to JOE HUNTER (BELL CANADA) for organizing the recent Ski Day. DALE HAILS (DOFASCO) is putting together the 1983 PRESIDENT'S GOLF TOURNAMENT (see opposite page). GORD BERNER (DOFASCO) is arranging our BLUE JAYS excursion (also see opposite page).
PAUL BOLIVAR (BANK OF MONTREAL) has arranged the Chamber's first FAMILY PICNIC (details opposite page). Our thanks to these, and the many other members who contribute so much to the organization, ensuring that it remains active and high profile in the community.

The Economy

COST OF LIVING *DOWN*. The Consumer Price Index for January 1983 was 114.1, down 0.3% from the December 1982 figure of 114.4, and stood at 8.3% above the January 1982 level of 105.4. The foregoing figures are calculated on a time-reference base of 1981 = 100. The index for January 1983, based on the 1971 = 100 time reference period was 270.3.

INDUSTRIAL PRODUCTION *UP*. The seasonally-adjusted index of industrial production increased 0.3% in November to 116.5 from the revised October level of 116.1. This figure is calculated on a 1971 weight and reference base.

WEEKLY EARNINGS *UP*. Average weekly earnings at the composite level in October 1982 were $399.04, up from the preliminary September figure of $395.64, according to a first estimate based on a limited number of returns. In October 1981, the average was $369.34.

UNEMPLOYMENT *UP*. In January 1983 the number of unemployed persons totalled 1,598,000, an increase of 104,000 from a month earlier. The number of persons without jobs constituted 13.7% of an active labour force of 11,656,000. The employment level in January was 10,058,000. The seasonally-adjusted unemployment rate was 12.4%, down from the 12.8% in December.

LABOUR INCOME *UP*. Total labour income for the month of October 1982, not adjusted for seasonal variations, was estimated at $16,958.7 million. The latest figure represents a gain of 3.4% from the October 1981 level.

STRIKES AND LOCKOUTS *DOWN*. The time loss resulting from the 487 work stoppages recorded for the Third Quarter of 1982 amounted to 2,367,240 person-days, a decrease from the 4,140,020 person-days lost from the 644 work stoppages during the Third Quarter of 1981.

HAMILTON AND DISTRICT

CHAMBER OF COMMERCE "COMING EVENTS"

137th ANNUAL MEETING

WEDNESDAY, APRIL 13, 1983

ROYAL CONNAUGHT HOTEL

BUSINESS MEETING 5.00 P.M. — 'NO HOST' RECEPTION 5.30 P.M.
DINNER 6.30 P.M.

CHAMBER MEMBERS $20.00/MEMBER COMPANY TABLE OF EIGHT $150.00
NON-MEMBERS $25.00

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MARK YOUR CALENDAR! ***DETAILS LATER!***

BASEBALL EXCURSION! "BLUE JAYS/OAKLAND"

EXHIBITION STADIUM
WEDNESDAY, JUNE 15th
MARK YOUR CALENDAR!
DETAILS LATER!

PRESIDENT'S GOLF TOURNAMENT

Dundas Valley Golf and Curling Club
Thursday, September 22, 1983

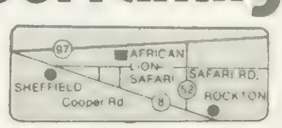
Mark Your Calendar Now!

Hamilton and District

CHAMBER OF COMMERCE FAMILY PICNIC

African Lion Safari
Rockton, Ontario

Drive your family wild!



Sunday, June 5th, 1983
(June 12 in the event of rainout)

Full picnic facilities exclusive to our group;
Safari Bus Tour, Birds of Prey,
Pets Corner, Boat Cruise, Shows

RESERVE THIS DATE NOW!
MORE INFORMATION TO FOLLOW IN MAY

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"IT PROVIDES A VARIETY OF GROWTH OPPORTUNITIES BUT ELIMINATES MANY OF THE UNCERTAINTIES COMMON IN NEW BUSINESS DEVELOPMENT."

Building on ten years experience in international projects and joint ventures, Mr. Wanner established DFW & Associates in 1980 in Hamilton. The firm represents both Canadian and European companies in the exchange of technology and industrial know-how, through licensing and joint venture agreements. In addition to successfully licensing Canadian technology in Europe, DFW & Associates works with Canadian companies to acquire technology from foreign licensors and to negotiate technical transfer agreements.

Mr. Wanner is a member of the Foreign Trade Sub Committee, the Business Development Committee of the Hamilton Chamber of Commerce, the Licensing Executives Society USA / Canada as well as the Chambre de Commerce Française.

Anyone looking for new marketing ideas to increase business is also faced with the risks of doing new things. Licensing offers a most effective solution to this dilemma. It provides a variety of growth opportunities but eliminates many of the uncertainties common in new business development.

When a company has a good product, but does not want to export the product directly, nor to build a plant outside its present market area, then a profitable alternative for that company is to licence someone to produce and sell the product in the new market area.

The company exporting product know-how receives a financial benefit for its research and development, which may be less than it would obtain for exporting the product directly, but the company avoids the problems and costs of producing and selling in a new market area. At the same time the company importing product know-how receives the benefits of a proven technology without costly and time consuming research.

Licensing, in its simplest form, consists of a company in one country (Licensor) transferring the right to use a manufacturing process, trademark, patent or technical know-how, to a company in another country (Licensee). A licensing agreement transfers industrial property rights to a Licensee, in return for royalties or fees paid to the Licensor.

Historically, licensing in Canada has usually taken the form of a foreign parent transferring rights to a subsidiary. It is for this reason that the technique is not that well known among Canadian businessmen. However, licensing can have a substantial application for independent enterprises.

As a rule, the Licensee receives both manufacturing and marketing privileges. On occasion, the Licensee may be limited to manufacturing products and a separate distributor is appointed either by the Licensor or Licensee or jointly to market the products. The property rights, know-how and technology thus transferred provide a competitive advantage for the Licensee in his local market.

Manufacturers in the Hamilton area, who cannot invest in research and development of new products, can use licensing to gain access to the research and development of major international companies. To develop products or pro-

cesses and then gain export benefit from this effort, can burden foreign companies with large capital expenditures in plants abroad. The mutually profitable solution is for them to find a Canadian manufacturer and licence them to produce and perhaps market the product.

A major advantage of a licensing agreement is that several common business risks can be considerably reduced. Information provided by the Licensor allows the Licensee to carefully assess the value of adding this product to his line.

First of all the Licensee can translate actual material and labour costs to his own situation in order to determine viability and competitiveness in his own market. Tooling or special facilities costs can be more accurately estimated, so that cash flow and other projections can by fully prepared before the project is undertaken.

Secondly, based on the Licensor's share of his home market, and its growth history, the Licensee can determine a growth pattern for his own market. Information about the competition in each other's market can be exchanged to their mutual advantage.

Licensing is not limited to the transfer of high-technology or other types of sophisticated product development. It may simply involve a substantial improvement in a product, which one company has developed and would be willing to share with another company. Often such improvements are not always recognized as marketable.

Many items produced in Hamilton area plants could well be improved to increase sales and market share. This can often be accomplished through licensing.

Foreign Licensors, through objective eyes, see the great advantage of Hamilton's strategic location to the Canadian industrial market and American midwest. Many European companies do not want to own a plant in Canada or in the U.S.A. Nor do they wish to manage the day to day production.

An established local manufacturer represents a genuine opportunity for them to enter a new market area and to obtain additional value for their research and development.

Foreign Licensors are quite eager to aid local manufacturers in their startup of a new line. Most licensing agreements allow for continual and regular technical support from the Licensor and eventually the relationship becomes reciprocal.

The exchange of ideas for mutual benefit is an old and sound principle. Almost anyone can use this principle by licensing and stimulate his business growth and improvement.

WHAT TYPE OF PAYMENTS CAN YOU EXPECT?

While every licensing project is different and each agreement must be adapted to the specific situation, payment terms will usually comprise some of the following components.

1. ROYALTY — The amount which the Licensee agrees to pay the Licensor each year, usually either a certain percentage of sales or profits, or based on the invoice value of the goods produced.
2. ANNUAL MINIMUM — The amount the Licensee must pay each year to the Licensor as a minimum guarantee (optional).
3. FRONT MONEY — The initial payment at the beginning of an agreement for the initial transfer of knowledge, blueprints and process knowledge (optional or nominal).
4. ADDITIONAL EXPENSES — These would cover expenses of any new blueprints, equipment, design work, standards.

Often if special equipment is required, the Licensor or his government can assist finance such equipment purchases by the Canadian manufacturer. Sometimes the cost of new equipment is financed by means of increased royalties.

• QUOTE OF THE MONTH •

"THE REAL TEST OF MAN IS TO POSSESS POWER WITHOUT ABUSING IT."

— ANONYMOUS

THE GOOD NEWS DEPARTMENT

★ Take a few minutes and drive Burlington Street East. You will be amazed at how much progress has been made with the badly needed overpass.

★ The Royal Connaught Hotel is continuing with its program of refurbishing its bedrooms.

★ The Federal Government recently announced another allocation of funds to continue the expansion of Hamilton Civic Airport.

DO YOU OWN OR HAVE AN INTEREST IN U.S. REAL PROPERTY!

PREPARED BY: FINANCE AND TAXATION COMMITTEE
THE HAMILTON AND DISTRICT CHAMBER OF COMMERCE

Do you now (either directly or indirectly) own an interest in United States real property?

Did you own such an interest in 1980, 1981 or 1982?

If the answer to either of the above questions is "yes", you **may** have to conform with complicated reporting requirements in the United States. The necessary forms are now available.

The deadline for reporting is June 21, 1983 with late filing penalties, in general, of $25 per day (maximum $75,000). Alternatively, application may be made to the Internal Revenue Service for a security agreement by March 21, 1983. Certain corporations and other entities were required to supply "substantial investors" with pertinent information by February 21, 1983.

A United States Real Property interest includes:

land and buildings,
leasehold interests,
mines, wells, etc.,
certain mortgages,
options to acquire property or leaseholds,
shares in a U.S. real property holding corporation
etc.

The interest may be held directly by an individual, through a U.S. corporation, through a Canadian (or other non-U.S.) corporation or through a partnership, trust or estate.

Certain exemptions do exist from reporting.

If you have any questions concerning the above, contact your tax advisor.

THOUGHT FOR THE MONTH

"ONLY THE PERSON RUNNING WITH THE BALL GETS TACKLED."

CAREERS IN SMALL BUSINESS

GUIDANCE COUNSELLORS MEET REPS

FROM ECONOMY'S LARGEST EMPLOYER

"THE ONLY SECURITY THAT EXISTS IN BUSINESS IS A GROWING PROFIT."

"...MAKE STUDENTS AWARE OF EMPLOYERS' REQUIREMENTS AND EXPECTATIONS WITH PARTICULAR EMPHASIS ON COMMUNICATION SKILLS ATTITUDE AND ATTENDANCE."

It was back to the classroom recently for some 20 guidance counsellors and other educators interested in career planning as it relates to small business. The group met in the Chamber's President's Board Room for a three-hour workshop designed to acquaint participants with our economic system and the needs and expectations of small business.

Alf Davis, Vice President of Forsythe Lubrication Associates, set the tone for the session with a presentation titled "Profits Make The World Go Around". Alf emphasized that "the only security that exists in business is a growing profit". He urged the group to make students aware of employers' requirements and expectations with particular emphasis on communication skills, attitude and attendance. "An individual who has intelligence, confidence, a sitive attitude and a desire to work is prospect who will be hired first."

Burroughs, General Service Manager for Maurice Carter Chev.-Olds. Ltd., stated that young people interested in the skilled trades should be encouraged to select career areas with future growth opportunities. "In the automobile business in particular, the trend is to more sophisticated vehicles with more dependency on electronics and micro-processors; therefore, those young people who are prepared to address high technology will be in the best position to succeed. Also, students must understand that their education has only just begun as they enter the marketplace and that if they want to succeed, they will be expected to learn at a greater pace than ever before".

Mike Jaycock, Vice President of Client Services for R. T. Kelley, spoke on the advertising and communications industry and the skills required by prospective employees. "They must be able to market themselves well. They should being a portfolio of work to the interview and, if hired, strive to exceed the expectations of the employer." The ability to problem solve and human relations skills are essential ingredients in the advertising industry. People must also be prepared to meet deadlines and work under pressure. "It's not a nine to five job, but most people find it a rewarding, exciting and satisfying career".

The seminar was planned as part of the Industry-Education Council's Career Awareness Workshop Series, involving 24 sessions in different locations in the Hamilton-Wentworth Region. Any organization interested in hosting a similar program should contact Bob Philip at 529-4483.

CANADA'S TROUBLED ECONOMY

A. ROY MEGARRY

PUBLISHER

ing on you. Trading has to be a two-way street!

4. We should **not** assume that the world is beating a path to our door to purchase our raw materials. With few exceptions, our exports of raw materials are meeting with increased competition — as a result of the recession; as a result of new discoveries elsewhere; as a result of low wage costs in less developed countries; as a result of materials substitution coming from new technology.

   One of the reasons it took so long for most of the nations of the world to agree on the Law of The Sea Treaty was because many of the developed countries were concerned about new discoveries of rich resources in and under the sea bed. Discoveries that might render uncompetitive, existing land based resources.

   So we would be foolish to develop an industrial policy heavily dependent on our resource industries. They are, however, vitally important to our economic well-being — and will be right into the 1990's. We must, therefore, be cost competitive; we must be reliable suppliers (which we have not always been); we must have an effective and reliable transportation system to get the materials to international markets. And the companies, governments and unions involved must work together to introduce new technology for the discovery, exploration, production and processing of our resource wealth.

5. Economic nationalism — a particularly virulent Canadian disease — blames most of our economic problems on foreign ownership, branch plants and transfer payments by way of dividends and management fees to foreign parent companies.

   I have not caught the disease. Foreign capital, foreign know-how, foreign technology — or in other words, foreign risk-takers — helped build Canada, helped us achieve what was, until recent times, the second highest standard of living in the world.

   But branch plants too often were confined to uneconomic production runs. Branch plants performed little or no R & D in Canada — the technology was simply transferred from the foreign parent. The products of the branch plants were not exported. Financial management expertise was not required and other important management skills were not developed because they were not needed by the branch plant.

   Let's not quarrel whether the 90 year old tariff policy that brought this about was good or bad. The fact is that the status quo is not good enough for the future.

   An economic strategy for Canada will require the continued involvement of foreign multi-national companies. We need their know-how, their access to new technology and markets, their capital. And one way to maximize the advantages of foreign investment is through world product mandating. Such a strategy involves the Canadian subsidiary being mandated to develop, manufacture and market **specific** products for the world market — instead of simply assembling or importing a small volume of products for the Canadian market.

   The Canadian subsidiary of Black & Decker first introduced this strategy with the orbital sander and has extended it to other products. The end result is that Black & Decker now has economic production runs; increased its plant capacity fivefold in fourteen years; now employs 24 full time design engineers where prior to product mandating they had none; and — get this — exports now account for 45% of its Canadian production.

   Other Canadian subsidiaries of foreign companies are pursuing the product mandate strategy — Westinghouse in Hamilton, Garrett Manufacturing, Litton Systems, IBM, Xerox, Pratt & Whitney engines, and many others. In doing so they are helping Canada develop technology, marketing expertise and improving our balance of payments. An economic strategy for Canada must include incentives to encourage world product mandating.

6. And another comment about economic nationalism. Instead of **alienating foreign investors** with FIRA, NEP and other such essentially negative, if not punitive economic policies — we've got to work at creating a climate that will **encourage Canadians to invest** in their own country, in their own industries. The dividend tax credit was a step in the right direction but it encourages the purchase of low risk, high yield dividend paying stocks.

   Young, innovative, high risk companies are where we need to encourage investment, and they cannot and should not be depleting their cash flow through dividend payouts. Some form of tax free capital gains is the solution to this dilemma and it should not be beyond our ingenuity to develop appropriate legislation to enable investors in such companies to benefit from tax-free capital gains.

"ECONOMIC NATIONALISM — A PARTICULARLY VIRULENT CANADIAN DISEASE — BLAMES MOST OF OUR ECONOMIC PROBLEMS ON FOREIGN OWNERSHIP, BRANCH PLANTS AND TRANSFER PAYMENTS BY WAY OF DIVIDENDS AND MANAGEMENT FEES TO FOREIGN PARENT COMPANIES. I HAVE NOT CAUGHT THE DISEASE."

The Chairman of the Science Council of Canada, Dr. Stuart Smith, recently suggested that we should be providing incentives to investment in Canada on the basis of corporate behavior rather than whether or not a company is foreign or Canadian owned. This is a concept that I hope Ottawa will adopt — rather than continuing to beat the drum of economic nationalism.

7. In the United States new businesses are being formed at several times the rates of the 1930's and 1940's. Companies less than four years old created 80 percent of all the new jobs that opened during the 1970's. A somewhat similar pattern is true in Canada.

   Relative to our major competition we have a small domestic market in Canada. A large domestic market is apparently an essential ingredient for success in the mass market industries. With few exceptions, I believe we should avoid these industries and their products.

   If Canada is to benefit from reduced tariffs, product mandates, and an improved investment climate, then high on our list of priorities in an economic strategy is the nurturing of an environment that encourages high technology companies.

   The Canadian Advanced Technology Association estimates that high technology firms will create more than half a million **new** jobs over the next 10 years.

   The lifeblood of high tech companies is research and development. And Canada as a nation does not stack up well in R & D efforts. We currently spend approximately 1 percent of our Gross National Product on Research and Development. This compares to
   1.8% for France
   1.9% for Japan
   2.2% for the United Kingdom
   2.2% for West Germany
   2.3% for the United States.

   In a recent study the European Management forum ranked Canada 14th out of 21 countries in R & D expenditures as a percentage of Gross Domestic Product.

   Canada must increase its expenditures on Research and Development and funds have got to be diverted from bailing out and propping up decaying, obsolete industries and re-allocated to support the companies and the industries of the future.

8. Another important aspect of an economic strategy will be a whole new approach to the way we conduct trade with foreign countries. Let me give you some examples:—

   - We just recently placed an order for 5.2 billion dollars in the United States for a quantity of 138 F-18 Hornets for the Canadian Air Force. Bits and pieces of this airplane will be built in Canada and some other production offsets will be received by Canadian companies. Even though the total amount of Canadian production might be substantial, it is essentially what is known as "build to print" business. Little or no R & D will be performed in Canada, little new knowledge will be developed in Canada as a result, and when we have finished building the bits and pieces nothing of ongoing value will be left behind.

     Instead of pursuing this short-sighted "build to print" strategy, would it not have made more sense to purchase the 138 aircraft fully assembled and negotiated instead other industrial benefits for Canada of lasting value? For example:

     - sales of Dash 7/8 and Challenger aircraft?
     - re-opening of the Auto Pact to include auto parts?
     - sales of mass transit equipment?
     - sales of satellite communications systems and hardware?
     - sales of CANDU reactors?

   Another example would be to trade off long-term exports of our surplus natural gas at competitive prices in exchange for industrial benefits that dovetail with our industrial strategy.

   I am told that we ended up selling plywood to Germany as part of the Leopard tank offset program. This is **not** the kind of trade-off I have in mind.

   My point is that we do have tremendous bargaining power with many foreign countries and we must be prepared to use it as part of an integrated economic strategy. We have got to put the word "barter" back into our language of international trade.

9. There is a danger inherent in our current depressed economic environment to become despondent. There is a danger when we look at some of our disadvantages, for example, high wage costs — to conclude that we **cannot** compete. Such an attitude is self-defeating.

   We should be willing to acknowledge our current difficulties even at the risk of being labelled doomsayers but at the same time we should not overlook the fact that Canada has a great many strengths on which to build.

   - Our banking, insurance and financial services sector is the envy of the rest of the world. Canadian companies are operating successfully throughout the globe in these sectors.
   - Our aerospace industry, despite an attempt to obliterate it in 1957 with the cancellation of the Avro Arrow, currently employs over 41,000 people and exports 80 percent of its production.
   - It has become a cliché, but we **are** endowed with an abundance of natural resources, and resource development, processing and exporting will continue to employ hundreds of thousands of Canadians and account for billions in export earnings.
   - Northern Telecom has proven that Canadian high technology companies **can** develop products that are world competitive. Canada leads the world in many aspects of space satellite communications. A Canadian company was recently awarded a one billion dollar contract for equipment for New York's subway system. There are many other examples of success.
   - Canadian engineer consultants have been successful in obtaining major contracts around the globe and against stiff foreign competition.
   - Many Canadian companies have successfully pursued the "product niche" strategy.
     — De Havilland's Twin Otter, Buffalo, Dash 7 and Dash 8 aircraft. Similarly, Canadair's new wide-bodied business jet aircraft.
     — Spar Aerospace's robot arm on the U.S. space shuttle is another good example.
     — The superlative Canadian effort in communications satellites certainly qualifies.
     — Atco — a world leader in transportable structures.
     — Fathom Oceanology — specializing in underwater towing systems.
     — Can-Ocean — specializing in sub-sea systems.

Now and for the foreseeable future Canada, like most of the rest of the developed world, is going to have very high labour costs relative to the less developed and the under-developed countries. Any businessman who believes that we have to get our labour rates in line with Taiwan is dreaming.

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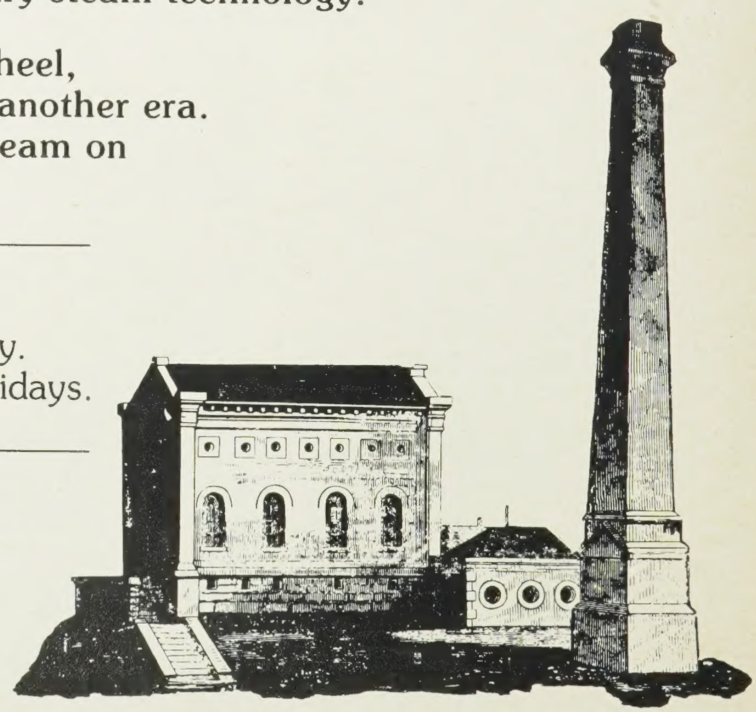

Operated by the Regional Municipality of Hamilton-Wentworth.